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**STATE OF HAWAII**  
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**DEPARTMENT OF BUDGET AND FINANCE**  
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August 3, 2009

Catherine P. Awakuni  
Executive Director  
Division of Consumer Advocacy  
Department of Commerce and Consumer Affairs  
P. O. Box 541  
Honolulu, Hawaii 96809

Re: Docket No. 2008-0083 - Application of Hawaiian Electric Company, Inc. for  
Approval of Rate Increases and Revised Rate Schedules and Rules

Dear Ms. Awakuni:

To assist the commission staff in its review of the referenced docket, please respond to  
the enclosed information requests by August 17, 2009.

If you have any questions, please contact me at 586-2020.

Thank you for your assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Wendy Takanishi".

Wendy Takanishi  
Economist

WT:cp

Enclosure

c: Dean Matsuura  
Thomas W. Williams, Jr., Esq.  
James N. McCormick, Esq.  
Dr. Kay Davoodi

Docket No. 2008-0083  
Hawaiian Electric Company, Inc.  
Information Requests to Consumer Advocate

**PUC-IR-108**

**Reference:** Act 162 (2006)  
HECO ST-10B at 17

HECO filed Supplemental Testimony of Dr. Jeff D. Makholm, on Behalf of Hawaiian Electric Company, Inc. on July 20, 2009. Dr. Makholm stated the following:

...Most states currently have a form of budget billing program available to residential customers.

Please provide:

- a) the estimated costs of budget billing programs for at least three utilities that have a similar number of residential customers as HECO;
- b) advantages and disadvantages to HECO and its customers of providing a budget billing program, including but not limited to, rate smoothing; and
- c) reasons why HECO considers a budget billing program to be not reasonable or cost-effective for HECO.

**PUC-IR-110**

**Reference:** Rate of Return; CA-ST-4 at 3

In his direct testimony, Mr. David Parcel stated "the HCEI proposals, including decoupling are risk-reducing to HECO and have the effect of transferring a portion of the Company's risks from its shareholders to its customers." Mr. Parcel recommended the bottom of his 9.5 percent to 10.5 percent cost of equity range should be adopted if the HCEI proposals were adopted.

In the supplemental testimony, Mr. Parcel stated that "if the HCEI-related programs and decoupling are "off the table," he recommended that the mid-point of his 9.50 percent to 10.50 percent cost of equity range be adopted.

- a) List all HCEI proposals that would need to be adopted to support the Consumer Advocate's 50 basis point adjustment to the cost of equity.
- b) Discuss and provide your calculations and workpapers to reflect the risk adjustment for each of the HCEI proposals.
- c) Discuss and provide your calculations and workpapers for the cost of equity if the HCEI proposals are not adopted.
- d) Discuss and provide your calculations and workpapers for the cost of equity if some, but not all of the HCEI proposals are adopted.

- e) If there are other HCEI proposals that are not on your list, is it fair to state that these proposals would not have any effect on your proposed cost of equity? If no, please discuss.

**PUC-IR-111**

**Reference: Rate of Return; CA-ST-4 at 3**

In his direct testimony, Mr. Parcel stated "the HCEI proposals, including decoupling are risk-reducing to HECO and have the effect of transferring a portion of the Company's risks from its shareholders to its customers."

- a) Define "decoupling", as used in the referenced statement above.
- b) Discuss the impact of the decoupling mechanism as defined in Question (a) on the cost of equity.
- c) Discuss the impact of other types of decoupling on the cost of equity.

**PUC-IR-113**

**Reference: Purchased Power Adjustment Clause; CA-ST-2 at 12**

The CA states that, "...Since the Consumer Advocate was a party to the Energy Agreement providing for the proposed Purchased Power Adjustment Clause ("PPAC"), I primarily looked to issues of implementation and quantification in assessing the reasonableness of the surcharge."

Absent the Energy Agreement,

- a) Would the CA find the PPAC reasonable? Please explain.
- b) What areas of concern should be addressed in reviewing the reasonableness of the PPAC?
- c) What are ways of mitigating the concerns raised in question 1b?

**PUC-IR-116**

**Reference: Rate of Return; CA T-4 at 22 - 23**

In his direct testimony, Mr. Parcel discussed four proposed HCEI regulatory mechanisms. The mechanisms are 1) Clean Energy Infrastructure or Renewable Energy Program Surcharge; 2) Purchased Power Adjustment; 3) Decoupling and 4) Rate Adjustment Mechanism.

- a) Discuss and provide your calculations and workpapers for any adjustments to the cost of equity that could be attributed to the adoption of

- a Clean Energy Infrastructure or Renewable Energy Program Surcharge mechanism.
- b) Discuss and provide your calculations and workpapers for any adjustments to the cost of equity that could be attributed to the adoption of a Purchased Power Adjustment mechanism.
- c) Discuss and provide your calculations and workpapers for any adjustments to the cost of equity that could be attributed to the adoption of a decoupling mechanism.
- d) Discuss and provide your calculations and workpapers for any adjustments to the cost of equity that could be attributed to the adoption of a rate adjustment mechanism.